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AUTHOR Barnes, R. Kenneth
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ABSTRACT

Issues concerning the financing of higher education are considered with reference made to Maryland's status. It is suggested that money is a critical issue, that good management is needed to assure the best and wisest use of fiscal resources, and that the fiscal outlook for the future indicates that higher education planners must examine nonproductive or low payoff programs. The money that will be available for new programs in the future will be available through the recycling of existing dollars that are being spent in nonproductive areas. In recent years, state higher education coordinating agencies have played a major staff role in recommending major policy changes. Examples of critical issues in which these agencies have been involved include the approval of new institutions, new programs in existing institutions, and the coordination of an overall, statewide master plan for higher education. It is suggested that tuition charges and other curriculum charges for in-state and out-of-state students and the relationship of these charges to the dollars state and local governments appropriate for higher education must be thoroughly examined. It is projected that private higher educational institutions will demand and receive more state funds. Additionally, innovations in higher education in the late 1970s are viewed as necessary. For instance, higher education may need to utilize vacant dormitories rather than building additional dormitories at another nearby institution. The Maryland Department of Budget and Fiscal Planning relies heavily on the use of the Chase econometric model in projecting the state economy and its revenues. The need is noted, in any state, for higher education officials and budget officers to communicate fully early in the year in the preparation of the budget. (SW)

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REMARKS ON FINANCING POSTSECONDARY EDUCATION

R. KENNETH BARNES

Denver, Colorado
December 1975

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Education Commission of the States

Inservice Education Program (IEP)
Education Commission of the States
1860 Lincoln Street, Suite 300
Denver, Colorado 80295

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REMARKS BY DR. R. KENNETH BARNES
AT THE
ECS/NASBO CONFERENCE ON FINANCING POSTSECONDARY EDUCATION

DENVER, COLORADO -- DECEMBER 16 - 17, 1975

Since my home state of Maryland has, I believe, appropriately been called "America in Miniature", and at the risk of being colloquial, I should like to use personal experiences in Maryland as a lead-in to the topic being discussed today.

To paraphrase from a recent edition of the magazine, Maryland, there was a time in the not too distant past when Maryland was known as a placid little border state, that somehow successfully blended a brand of southern charm and graciousness with a quiet northern efficiency. Through the 50's, change was a slow and gradual thing and it rarely occurred to anyone to attempt a definition of the State's character. Conservative, slow-paced, relaxed and relatively prosperous, Maryland was simply Maryland and that was the end of any argument about it. Then came World War II. It's safe to say Maryland has never been the same since. The wartime boom brought new jobs, new migration and new development. And though the war soon ended, the phenomenal growth and change Maryland experienced in the 'forties continued unabated into the 'fifties, the 'sixties, and now, into the 'seventies. Maryland's life style and perhaps its very character were changed in dramatic fashion. The State was constantly turning the corner into tomorrow, with rarely a glance backward. With each passing year, there has been more affluence, more population and more new development.

It appears relatively obvious to me that the economic changes in Maryland can be seen in her sister states and that the economic changes also had a strong effect on higher education and the educational process. Therefore, prior to discussing what today's state budget officers expect from statewide postsecondary education agencies, I think it is imperative to put your thoughts into the context of the economy.

State budget officers no longer are simply state budget officers. Most of them also have divisions concerned with economic and revenue projections, management analysis, performance auditing, and management information systems development and coordination. Perhaps the most important aspect of the economics division is the ability to provide the Executive and the Legislature with information concerning economic trends, short and long range revenue projections, and their fiscal impact on the various levels of government.

The Maryland Department of Budget and Fiscal Planning relies heavily on the use of the Chase econometric model in projecting the State economy and its revenues. In this regard, I should like to quote from a recent Chase Econometrics issue:

> Never before have the seeds of a major recession been so firmly implanted three years ahead of time. While other recessions have occasionally been predicted ahead of time, the warning signs began to appear less than one year in advance. Yet this time economic planners are faced with the unique experience of preparing for the next recession even before the present one has officially been declared completed. While time still remains to avert the worst excesses of the coming boom-bust cycle, the avowed fiscal and monetary policies of the executive and administrative branches of the Federal government are already leading straight to a collision course with economic growth and stability.
>
> Ten years ago participants in conferences entitled 'Is the Business Cycle Obsolete' confidently answered in the affirmative, and many of our leading economic spokesmen pronounced the doctrine that intelligent fiscal and monetary policy could guide the economy down the straight and narrow path of full employment and maximum growth with price stability, thus avoiding the shoals of unemployment and inflation on either side. Today the entire fine-tuning mechanism is in a shambles, as record rates of inflation and unemployment occur almost simultaneously. We might do better to gather at symposia entitled 'Is Economic Stability Possible?'

The above is quoted not to frighten you, but to stress that some economists are predicting that in the next several years, the U. S. economy cannot maintain a period of economic growth and stability. Of course, the economy is subject to a number of possible futures; however, none are too much more optimistic since the Chase forecast argues that (1) there is likely to be a real depression before the end of the 70's; and (2) there is a real possibility of a "capital shortage".

Part of the problem is that there is too much nonproductive investment in pollution control equipment and too large a share of income to nonproductive people (e.g., retirees, welfare). From the standpoint of the "Fed", there is continual pressure in a no growth situation.

Now to get to how all of the foregoing affects higher education - the following points are made:

... money is a critical issue;

... good management is needed to assure the best and wisest use of fiscal resources;

... the fiscal outlook for the next several years indicates that higher education planners must take a hard look at nonproductive or low pay-off programs. The dollars that will be available for new programs in the future will be available through the recycling of existing dollars which are being spent in such nonproductive areas.

For this reason, it is important for the leaders in postsecondary education, budgeting, and other public programs to operate in a manner that will utilize the limited dollars which will be available to provide the public services for which they are responsible.

It is apparent to many state budget officers that the "gravy train" has slowed down. Much of state budgets are spent in mandated formula type programs, leaving perhaps only 20-25% of the total dollars for a governor to put to realigning his priorities. In Maryland, 40% of the total general fund budget goes into educational programs. It is unlikely that this percentage will increase greatly during the remainder of this decade. Therefore, it will behoove both leaders in education and budgeting to work together in a coordinated fashion to develop the best possible programs with the dollars available.

What are some of the major considerations? -

1. Although state policy results from the interaction of the Governor, the Legislature and lay boards of higher education, in recent years, state higher education coordinating agencies have played a major staff role in recommending major policy changes. Examples of critical issues in which these agencies are involved include the approval of new institutions, new programs in existing institutions, and the coordination of an overall, statewide master plan for higher education.

2. Tuition charges and other curriculum charges for in-state and out-of-state students and the relationship of these charges to the dollars state and local governments appropriate for higher education must be thoroughly examined.

3. Private higher educational institutions will demand and receive more State funds. In Maryland, for example, an amount equal to 15% of all state general fund dollars appropriated per student at the public four-year colleges must be appropriated for distribution on a full time equivalent student basis to the private colleges in the State. While most states may not have this precise formula type arrangement, I believe most states will be looking to the need to assist private colleges so that they may continue to operate.

4. Innovations will be an important part of the higher education scene in the late 70's. In my home state in another area of services, Public Safety, rather than build new prisons, the State is paying per diem costs for state adjudicated prisoners in local jails. It also is looking to accomplish a similar arrangement with federal prisons which may have vacant beds. Higher education needs to look at similar arrangements to utilize vacant dormitories in one institution (public or private) vis-a-vis building additional dormitories at another nearby institution. There are many "nitty-gritties" which can be accomplished by institutional administrators. For example, scheduling of class-rooms to eliminate the need for building additional classroom space. We have

found that one college is requesting additional classroom space and has had only 20% of its classrooms occupied on, for example, a Friday afternoon. It seems the classes are scheduled for the convenience of the faculty rather than for the students or for the most advantageous utilization of expensive capital facilities.

In closing, a word about communication is vital. It is important that educators and budget officers have as full and complete communication as possible. A word of caution, however, is that there is a time factor near the end of the budget preparation cycle which causes a "blind" to drop over the Executive's budget decision for all governmental programs. Both higher education officials and budget officers need to communicate more fully earlier in the year in the preparation cycle so that all concerned are prepared to justify the ensuing year's higher education request to the state General Assemblies.

In summary, higher education is big business and a serious business. I enjoin my colleagues in budgeting and higher education to use imagination, creativity -- perhaps a little humor sometimes -- and their strength to provide our citizens with the best possible postsecondary education program in these times of fiscal stringency.